



REPORT TO COMMUNITIES COMMITTEE – 8 SEPTEMBER 2022

HOUSING REVENUE ACCOUNT FINANCIAL PERFORMANCE AS AT 31 JULY 2022

1. Executive Summary/Recommendations

1.1 This report presents the revenue and capital financial performance information pertaining to the Housing Revenue Account (HRA). It shows the income and expenditure incurred to the 31 July 2022 and reflects the forecast outturn to the 31 March 2023. The report also highlights the financial risks that may require mitigations to be identified as the financial year progresses.

1.2 The Committee is recommended to:

1.2.1 Consider and discuss the revenue budget position as at 31 July 2022 and as set out in Appendix 1a and 1b;

1.2.2 Note the Director approved budget virements as set out in Appendix 2;

1.2.3 Note the risks highlighted in Section 3 of the report; and

1.2.4 Consider and discuss the Capital budget position as at 31 July 2022.

2. Decision-Making Route

2.1 The purpose of this report is to provide the Committee with the financial information in relation to expenditure and income for the HRA for which the Committee has responsibility.

2.2 The financial information is set out in the following appendices:

- **Appendix 1a:** provides details of the financial position by type of spend
- **Appendix 1b:** provides details of the financial position by budget page
- **Appendix 2:** provides details of virements reflected in the financial position
- **Appendix 3:** capital financial position by project

2.3 The Committee will receive further reports on the financial performance at each Committee cycle and elected members will be able to access financial information out with the Committee cycle through a set of high-level interactive reports that have been developed.

2.4 Full Council will receive a summary Financial Performance Report reflecting the Committee information contained within this report.

3. Discussion

3.1 The table below provides a summary of the revenue, capital, and reserves allocations for the HRA as agreed at Council in February 2022. Any net surplus on the HRA is used to fund the HRA Capital Programme, whilst maintaining a minimum

working balance of £2m in reserves. It also shows a summary of the revised budget and the expenditure incurred to the 31 July 2022 and reflects the forecast outturn to the 31 March 2023.

	Original Budget £'000	Revised Budget July 22 £'000	Actual to 31 July 2022 £'000	Forecast to 31 March 2023 £'000
Expenditure	49,027	47,546	9,773	47,546
Income	(67,793)	(66,660)	(21,190)	(66,660)
Net Income	(18,946)	(19,114)	11,417	(19,114)
Capital Funded from Current Revenue	18,946	19,114	11,417	19,114
Net Revenue Budget	-	-	-	-
Capital	84,664	84,664	16,472	75,810
Reserves	2,000	2,000	2,000	2,000

3.2 Revenue Budget

- 3.2.1 The revised revenue budget for 2022/23 for HRA is £66.660 million as detailed in **Appendix 1a and 1b**. The movement in budget relates to the net impact on the HRA for the transfer of Homelessness and Temporary Accommodation Units from the HRA to the Homeless Persons budget page within the General Fund as detailed in **Appendix 2**. At present the service are forecasting to be within budget for the year, however there are risks which may alter this position, which in turn will impact on the ability to fund the capital programme.
- 3.2.2 The energy market remains volatile, with the risk that costs will exceed budget. The Energy Management Team continue to monitor the position and provide regular updates to Strategic Leadership Team. Aberdeenshire Council is currently developing a Route Map 2030 and Beyond which is identifying actions across the organisation in order for its emissions to be reduced by 75% by 2030. This will require the investment in a number of interventions across the organisation to drive down consumption of energy while also decarbonising the Council's heating fuels and fleet costs.
- 3.2.3 Public Sector pay awards from 2022/23 onwards will be decided by Scottish Government as part of the national pay discussions. The 2022/23 budget included provision for a pay award of up to 3%. Anything over and above this would result in a budget pressure which would require to be funded in-year and would have a knock-on effect to future years budgets.
- 3.2.4 The increasing cost of living crisis could have an impact on tenants financial situation and may impose a risk that budgeted levels of income will not be received during the year with potentially higher bad debts and rent arrears. This will be monitored and updates reported to Committee in due course.

3.3 Capital Budget

- 3.3.1 The Capital Budget for 2022/23 approved by Council on 23 February 2022 in respect of the HRA amounted to £84.664 million. This is detailed in **Appendix 3**. Council will consider any slippages from 2021/22 at its September meeting and this may, subject to approval by Council, result in a revision to the Capital Budget.
- 3.3.2 An underspend of £8.854 million is being reported in July. Details are shown in **Appendix 3**. Projections are based on a best-case scenario given the data and information that is currently held. Significant risks therefore remain on some of the projects going forward. Officers continue to monitor the programme closely taking action as appropriate.
- 3.3.3 Current operating conditions continue to be challenging as the construction industry is still dealing with logistics and materials supply issues. Increasing energy costs are resulting in material price increases, the construction industry is warning of a skilled labour shortage and contractors and suppliers are reluctant to provide fixed rate prices.
- 3.3.4 In light of these risks the capital projects planned for 2022/23 are currently being considered for affordability and deliverability as part of a review of the capital plan to ensure value for money and service delivery. Material deferral of budget to later years adds to the risk that the Capital Plan becomes unaffordable in a specific year in which case future years phasing and prioritisation of projects may require to be revisited.

3.4 Reserves

- 3.4.1 Council agreed an HRA Working Balance Reserve of £2.0 million when it approved the budget for 2022/23. It should be recognised that were an unforeseen event to occur that could impact on the HRA revenue budget, which may require a call on this reserve, consideration would be made by Council as to how to reinstate the balance to the agreed level.

4. Council Priorities, Implications and Risk

- 4.1 The work and outcomes delivered through the various services reporting to the Communities Committee helps in the delivery of the following council priorities:

Pillar	Priority
Our People	<ul style="list-style-type: none"> • Education • Health & Wellbeing
Our Environment	<ul style="list-style-type: none"> • Infrastructure • Resilient Communities
Our Economy	<ul style="list-style-type: none"> • Economy & Enterprise • Estate Modernisation

- 4.2 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed.

Subject	Yes	No	N/A
Financial	X		
Staffing		X	
Equalities and Fairer Duty Scotland			X

Children and Young People’s Rights and Wellbeing			X
Climate Change and Sustainability			X
Health and Wellbeing			X
Town Centre First			X

- 4.3 The financial implications have been discussed throughout the report. There are no direct staffing implications.
- 4.4 The screening section as part of Stage One of the Integrated Impact Assessment process has not identified the requirement for any further detailed assessments to be undertaken. The report deals with the monitoring of expenditure against budgets which have been approved previously, and the re-profiling of some expenditure. There will be no differential impact, as a result of the report, on people with protected characteristics.
- 4.5 The following risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures ([Corporate Risk Register](#)). Actions being taken to mitigate these risks are set out in the report.

5 Scheme of Governance

- 5.1 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.
- 5.2 The Committee can consider this item in terms of Sections C.1.1 and C.6.1 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to the scrutiny of financial performance information in respect of functions that have been delegated to the Committee.

Alan Wood
Director of Environment and Infrastructure Services

Report Prepared by: Fiona Massie, Team Leader
Date: 03 August 2022

Appendix 1a – HRA Budget by Type of Spend July 22
Appendix 1b – HRA Revenue Budget by Budget page July 22
Appendix 2 – HRA Virements July 2022
Appendix 3 – HRA Capital Performance July 2022

Type of Spend	HRA		
	Budget £'000	Forecast £'000	Variance £'000
01.Staff Costs	9,287	9,287	0
02.Premises Costs	19,100	19,100	0
03.Transport	230	230	0
04.Supplies & Services	4,514	4,514	0
05.Third Parties	179	179	0
06.Central	2,936	2,936	0
08.Financing Costs	11,300	11,300	0
12.CFCR	19,114	19,114	0
Total Expenditure	66,660	66,660	0
10.Income	-65,460	-65,460	0
11.Other	-1,200	-1,200	0
Total Income	-66,660	-66,660	0
	0	0	0

Budget Page	HRA		
	Budget	Forecast	Variance
	£'000	£'000	£'000
01.Housing Options	3,581	3,581	0
02.Asset Management and Repairs	15,120	15,120	0
03.Sheltered Housing Service	1,109	1,109	0
04.Strategic Work	278	278	0
05.Tenancy Services	-39,202	-39,202	0
06.CFCR	19,114	19,114	0
	0	0	0

APPENDIX 2
Aberdeenshire Council
Communities Committee Virements for Approval
Financial Performance as at July 2022

Director Approved Budget Virements

Cross Service	Service Pages		Reason for Movement	Amount £	Approver	Committee	Committee Date
	From	To					
No	HRA	HRA	Eliminate Temporary Accommodation Budget from HRA	618,300	Director	Infrastructure Services	08.08.22
No	HRA	HRA	Eliminate Hostel Budget from HRA	862,100	Director	Infrastructure Services	08.08.22
No	HRA	HRA	Realign HRA Income budget between subjectives	500,000	Director	Infrastructure Services	08.08.22

COMMUNITIES COMMITTEE: 2022/23 HRA CAPITAL PERFORMANCE - JULY 2022**HOUSING REVENUE ACCOUNT
CAPITAL PERFORMANCE REPORT - JULY 2022**

	2022/23 Approved Budget £,000	2022/23 Actual Exp. Jul-22 £,000	2022/23 Full Year Forecast £,000	2022/23 Projected Variance (Over)/Under £,000
SUMMARY				
1 New Build Programme	25,511	4,689	24,752	759
2 Reactive Heating	1,500	247	1,500	0
3 Sheltered Housing Upgrades (Lifts, Boilers)	300	2	300	0
4 Sheltered Housing Fire Alarm Programme	1,000	0	1,000	0
5 Sheltered Housing PV Installations	250	0	250	0
6 Sheltered Housing Sprinkler Programme (Fraserburgh)	1,100	269	815	285
7 Stock Improvements (non-HIP)	700	1	678	22
8 Internal Net Zero (Gross Spend)	5,000	0	5,000	0
9 External Net Zero (Gross Spend)	2,500	0	0	2,500
10 Internal Wall Insulation Programme	4,500	1,148	4,500	0
11 Housing Improvement Plan (HIP)	38,000	8,689	31,326	6,674
12 Smart Solar and Battery Storage (LCIPT)	0	143	697	(697)
13 Housing Fire and Smoke Detector Upgrades	0	288	620	(620)
14 Capital Works done at Void (Housing Repairs)	1,800	672	1,800	0
15 Housing Repairs Service Allocation	1,200	0	1,200	0
16 Staff Recharges	700	176	700	0
17 Other (ICT Infrastructure, SH car park upgrades, hard to treat properties)	328	25	397	(69)
18 Weir House Type Upgrades, Macduff	275	123	275	0
	84,664	16,472	75,810	8,854

COMMUNITIES COMMITTEE: 2022/23 HRA CAPITAL PERFORMANCE - JULY 2022

Budget Line	Budget Name	Variance (Over)/Under (£,000)	Narrative
1	New Build Programme	1,520	Procurement, planning and tender delays are anticipated which will result in a number of projects slipping in this area. Some site start dates were delayed but these projects are now progressing well.
6	Sheltered Housing Sprinkler Programme (Fraserburgh)	285	Albany Court, complete, Northern Court due to complete Nov '22. Windmill Court to follow in Jan '23 which is expected to complete Sep/Oct '23. Various lockdowns extended the programme with Sheltered Housing being particularly restricted.
9	External Net Zero (Gross Spend)	2,500	External funding bid of £1.25m was unsuccessful. Service were awarded a grant of £366K which is delivered under the Housing Improvement Plan (HIP) line 11. Budget is no longer required in 2022/23.
11	Housing Improvement Plan (HIP)	6,674	Forecast underspend primarily due to contractor's labour availability in the market. There has also been extended lead times on materials such as windows, which has impacted the delivery programme.
12	Smart Solar and Battery Storage (LCIPT)	(697)	Carry forward of unutilised 2021/22 budget amounting to £697k requires to be formally approved by Council In September 2022 to fund completion of the programme.
13	Housing Fire and Smoke Detector Upgrades	(620)	Carry forward from 2021/22 of unutilised budget amounting to £90k requires to be approved by Council. A further £530k is required to complete the programme of works.
	Total Major Variances	9,662	
	Other Minor Variances	(47)	
	Total Variance	9,615	